Nkomazi Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	Mavuso MJ
Councillor	Dippenaar C
	Dlamini-Zitha S P
	Du Toit G J
	Gumede I
	Hlophe CN
	Hongwane N
	Khoza B R
	Khoza M R
	Khoza T S
	Kubhayi G R
	Letsoalo S M
	Lubisi M T (Thomas)
	Lubisi M T (Timothy)
	Mabuza S
	Mabuza S J
	Macie K J
	Madonesela L E
	Magagula P P
	Magagula S N
	Mahlalela G
	Makhubela B S
	Malaza B B
	Manzin H Q
	Maphanga D A
	Mashaba S L
	Mashele S J
	Masilela D L
	Masilela E T
	Masilela S L
	Mathonsi L G
	Mhlanga M W
	Makhatshwa S L
	Makhumbane T C
	Mogiba G N
	Mpofu J N
	Muyeni T M
	Ndwendwa E B
	Nel P R B
	Ngcane M S
	Ngomame B D
	Ngomame E M
	Ngomane F N
	Ngwenya G N
	Nhlambo M M
	Nhlambo M N
	Nkosi C D

General Information

Mayoral committee	Nkosi J M Sambo L P Shabangu S N Shongwe W H Sibitane F E Sibiya L T Sibiya J N Silombo S R Sono B N Themba S Q Thwala H C Vilakazi M R Zimba S P
Acting Municipal Manager	Mkhatshwa M R
Chief Financial Officer (CFO)	Mabaso S N N
Speaker	Hlophe N C
Registered office	Civic centre No 9 Park Street Malelane 1320
Postal address	Private Bag x 101 Malelane 1320
Auditors	The Auditor-General, Mpumulanga Registered Auditors

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature and council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities

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MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SA GAAP	South African Statements of Generally Accepted Accounting Practice

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed by:

Mkhatshwa M R
ACTING MUNICIPAL MANAGER

Malalane

31 August 2010

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

The municipality is a medium capacity municipality and delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 25,582,172 (2009: surplus R 103,938,435).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Auditors

The Auditor-General, Mpumulanga will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	2010	2009
Assets		
Current Assets		
Inventories	282,024	174,614
Trade and other receivables from exchange transactions	23,730,708	18,038,642
Other receivables from non-exchange transactions	610,575	1,176,351
VAT receivable	17,587,805	16,606,398
Deposits made	545,449	545,449
Cash and cash equivalents	48,107,127	102,272,002
	90,863,688	**138,813,456**
Non-Current Assets		
Investment property	8,167,900	8,167,900
Property, plant and equipment	734,581,717	678,742,176
Intangible assets	573,720	-
	743,323,337	**686,910,076**
Total Assets	**834,187,025**	**825,723,532**
Liabilities		
Current Liabilities		
Borrowings	1,105,179	1,105,179
Finance lease obligation	1,367,395	1,117,585
Operating lease liability	51,342	30,440
Trade and other payables from exchange transactions	59,709,207	30,229,867
Unspent conditional grants and receipts	25,564,214	19,938,112
Provisions	567,402	353,090
	88,364,739	**52,774,273**
Non-Current Liabilities		
Borrowings	4,271,594	5,376,430
Finance lease obligation	2,911,051	4,099,816
Operating lease liability	256,369	215,835
	7,439,014	**9,692,081**
Total Liabilities	**95,803,753**	**62,466,354**
Net Assets	**738,383,272**	**763,257,178**
Net Assets		
Accumulated surplus	738,383,272	763,257,178

Statement of Financial Performance

Figures in Rand	2010	2009
Revenue	339,834,286	335,468,256
Other income	3,967,966	5,447,863
Operating expenses	(375,635,200)	(252,521,160)
Operating (deficit) surplus	**(31,832,948)**	**88,394,959**
Investment revenue	8,957,321	18,875,785
Finance costs	(2,706,545)	(3,332,309)
(Deficit) surplus for the year	**(25,582,172)**	**103,938,435**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2008	**659,318,743**	**659,318,743**
Changes in net assets		
Surplus for the year	103,938,435	103,938,435
Total changes	103,938,435	103,938,435
Balance at 01 July 2009	**763,965,444**	**763,965,444**
Changes in net assets		
Deficit for the year	(25,582,172)	(25,582,172)
Total changes	(25,582,172)	(25,582,172)
Balance at 30 June 2010	**738,383,272**	**738,383,272**

Cash Flow Statement

Figures in Rand	2010	2009
Cash flows from operating activities		
Receipts		
Sale of goods and services	78,378,975	72,711,343
Grants	259,060,817	261,927,562
Interest income	8,957,321	17,784,787
Other receipts	6,107,213	5,492,484
	352,504,326	357,916,176
Payments		
Employee costs	(141,389,065)	(113,078,232)
Suppliers	(171,748,225)	(99,692,879)
Finance costs	(2,069,511)	(3,339,338)
Other payments	-	(123,240)
	(315,206,801)	(216,233,689)
Net cash flows from operating activities	**37,297,525**	**141,682,487**
Cash flows from investing activities		
Purchase of property, plant and equipment	(88,438,563)	(70,608,231)
Proceeds from sale of property, plant and equipment	271,106	-
Purchase of other intangible assets	(614,118)	-
Proceeds from sale of financial assets	-	3,229,070
Net cash flows from investing activities	**(88,781,575)**	**(67,379,161)**
Cash flows from financing activities		
Repayment of borrowings	(1,104,836)	(4,810,871)
Finance lease payments	(1,575,989)	-
Finance lease receipts	-	3,718,788
Net cash flows from financing activities	**(2,680,825)**	**(1,092,083)**
Net (decrease)/increase in cash and cash equivalents	**(54,164,875)**	**73,211,243**
Cash and cash equivalents at the beginning of the year	102,272,002	29,060,759
Cash and cash equivalents at the end of the year	**48,107,127**	**102,272,002**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.
Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment and management considers the conditions and use of individual assets, to determine the remaining period over which the asset can and will be used.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Machinery and Equipment	5 - 20 years
Furniture and fixtures	5 - 10 years
Transport Assets	7 - 20 years
Office equipment	5 - 10 years
IT equipment	5 - 10 years
Infrastructure assets	
• Roads & Paving	10 - 100 years
• Dwellings	10 - 30 years
• Electricity	5 - 80 years
• Water	10 - 100 years
• Sewerage	15 - 60 years
• Solid Waste Disposal	15 - 55 years
Heritage assets	Indefinite

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater thatn the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is chargbed to the Statement of Financial Performance.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial recognition intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	5 years

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Accounting Policies

1.5 Financial instruments (continued)

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.5 Financial instruments (continued)
The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.7 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

1.8 Impairment of cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contributions plans.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of electricity prepaid meter cards is recognised at the point of sale.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method on a time proportion basis.

Accounting Policies

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure, and where recovered, it is subsequently accounted for as revenue in the statement of financial performances.

Accounting Policies

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality. We regard all individuals from the level of Municipal Manager and Council Members as key management per the definition of the financial reporting standard.

close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the municipality.

Related party disclosures for transactions between the municipality and the municipal entity that took place are disclosed in note 42

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through surplus or deficit category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a controlled entity, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has early adopted the interpretation for the first time in the 2010 annual financial statements.

The impact of the interpretation is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is still to be determined by the Minister of Finance..

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard isstill to be determined by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is still to be determined by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is still to be determined by the Minister of finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of Non-Cash-Generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is still to be determined by the Minister of finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 26: Impairment of Cash-Generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is still to be determined by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee Benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
The standard prescribes recognition and measurement for:
- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

The effective date of the standard is still to be determined by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

The effective date of the standard isstill to determined by the Minister of Finance.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Investment property

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	8,167,900	-	8,167,900	8,167,900	-	8,167,900

Reconciliation of investment property - 2010

	Opening balance	**Total**
Investment property	8,167,900	8,167,900

Reconciliation of investment property - 2009

	Opening balance	**Total**
Investment property	8,167,900	8,167,900

Details of property

Investment property consist out of land only and is kept for capiial appreciation.

Details of valuation

The effective date of the determination of the investment property prices for the GRAP purpose was 1 July 2007. The depreciable replacement cost method was used. No independent valuation for the current year was conducted.

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land	32,412,328	-	32,412,328	32,412,328	-	32,412,328
Buildings	89,018,917	(9,989,787)	79,029,130	82,230,237	(6,861,008)	75,369,229
Machinery and Equipment	11,921,417	(4,535,431)	7,385,986	10,356,977	(3,502,053)	6,854,924
Furniture and office equipment	5,458,021	(2,427,757)	3,030,264	4,729,634	(1,800,412)	2,929,222
Transport Assets	27,430,135	(11,996,973)	15,433,162	23,065,633	(9,476,822)	13,588,811
IT equipment	11,609,328	(5,561,917)	6,047,411	10,261,176	(3,663,236)	6,597,940
Infrastructure Assets	602,502,174	(64,102,629)	538,399,545	559,591,962	(40,806,028)	518,785,934
Work in Progress: Water	35,124,167	-	35,124,167	4,484,064	-	4,484,064
Heritage Assets	17,719,724	-	17,719,724	17,719,724	-	17,719,724
Total	**833,196,211**	**(98,614,494)**	**734,581,717**	**744,851,735**	**(66,109,559)**	**678,742,176**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Land	32,412,328	-	-	-	32,412,328
Buildings	75,369,229	6,788,680	-	(3,128,779)	79,029,130
Machinery and Equipment	6,854,924	1,564,440	-	(1,033,378)	7,385,986
Furniture and office equipment	2,929,222	743,959	(5,437)	(637,480)	3,030,264
Transport Assets	13,588,811	4,364,502	-	(2,520,151)	15,433,162
IT equipment	6,597,940	1,426,666	(10,422)	(1,966,773)	6,047,411
Infrastructure Assets	518,785,934	42,910,213	-	(23,296,602)	538,399,545
Work in Progress: Water	4,484,064	30,640,103	-	-	35,124,167
Heritage Assets	17,719,724	-	-	-	17,719,724
	678,742,176	**88,438,563**	**(15,859)**	**(32,583,163)**	**734,581,717**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Additions through finance leases	Disposals	Depreciation	Total
Land	32,412,328	-	-	-	-	32,412,328
Buildings	77,856,703	501,323	-	-	(2,988,797)	75,369,229
Machinery and Equipment	7,233,193	520,849	-	(146)	(898,972)	6,854,924
Furniture and office equipment	2,382,896	1,057,422	-	(1,887)	(509,209)	2,929,222
Transport Assets	14,178,193	1,657,289	-	-	(2,246,671)	13,588,811
IT equipment	2,346,596	1,248,146	4,470,424	(18,622)	(1,448,604)	6,597,940
Infrastructure Assets	484,295,835	56,668,715	-	-	(22,178,616)	518,785,934
Work in Progress: Water	-	4,484,064	-	-	-	4,484,064
Heritage Assets	17,719,724	-	-	-	-	17,719,724
	638,425,468	**66,137,808**	**4,470,424**	**(20,655)**	**(30,270,869)**	**678,742,176**

Assets subject to finance lease (Net carrying amount)

	2010	2009
IT equipment	5,017,900	5,455,084

Details of properties

Refer to Appendix B for more details on Property, Plant and Equipment.

There were no expenditure during the year which were capitalised.

No compensation was received for losses on Property, Plant and Equipment.

Game was previously recognised as Biological Asset has been transferred to Hertiage Asset.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	614,118	(40,398)	573,720	-	-	-

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	-	614,118	(40,398)	573,720

6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Loans and receivables	Total
Cash and cash equivalents	48,107,127	48,107,127
Deposits made	545,449	545,449
Other receivables	17,869,260	17,869,260
Trade and other receivables	25,404,753	25,404,753
	91,926,589	**91,926,589**

2009

	Loans and receivables	Total
Cash and cash equivalents	102,272,002	102,272,002
Deposits made	545,449	545,449
Other Receivables	1,176,351	1,176,351
Trade and other receivables	18,038,642	18,038,642
	122,032,444	**122,032,444**

7. Operating lease (accrual)

Non-current liabilities	(256,369)	(215,835)
Current liabilities	(51,342)	(30,440)
	(307,711)	**(246,275)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

8. Retirement benefits

Defined benefit plan

The Municipal Employees Gratuity Fund is a defined benefit plan. This is not treated as defined benefit plan as defined by IAS 19, but is accounted for a s a defined contribution plan. this is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The defined benefit funds are administrated on a provincial basis, but the specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration thereof. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution pension and provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Defined Contribution Medical Aid Plan (Munimed)	31,853	118,796
Government Employee Pension Fund	2,422,731	1,729,113
Joint Municipal Pension Fund	88,161	79,784
Municipal Councillors Pension Fund	2,313,856	2,161,704
Municipal Employee Pension Fund	2,515,780	1,176,369
Municipal Gratuity Fund	9,987,575	7,540,403
National Fund for Municipal workers	4,155,236	3,868,733
South Africa Municipal Workers Union National Provident Fund	456,725	429,288

An amount of R 15,787,876 (2009: R 11,984,370) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

9. Deposits made

Eskom - electricity	540,449	540,449
Hectorspruit - fuel	5,000	5,000
	545,449	**545,449**

10. Inventories

Consumable stores	262,690	158,141
Water	19,334	16,473
	282,024	**174,614**

11. Trade and other receivables from exchange transactions

Trade debtors	23,771,450	18,061,251
Fair value adjustment on trade debtors	(40,742)	(22,609)
	23,730,708	**18,038,642**

Credit quality of trade and other receivables

All of the municipality's trade and other receivables have been reviewed for indicators of impairment. The municipality's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, identified group, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed. The municipality's policy is to deal only with creditworthy consumers.

Figures in Rand	2010	2009

11. Trade and other receivables from exchange transactions (continued)

Trade receivables

Rates: Ageing		
Current (0 - 30 days)	11,611,325	421,943
31 - 60 days	115,305	345,427
61 - 90 days	110,926	266,385
91 - 120 days	97,460	59,229
121 + days	3,263	2,136,018
	11,938,279	**3,229,002**

Electricity, Water, Sewerage & other: Ageing		
Current (0 - 30 days)	3,143,976	5,377,783
31 - 60 days	2,420,786	1,562,838
61 - 90 days	1,139,757	1,147,840
91 - 120 days	1,069,512	970,223
121 + days	10,720,046	10,210,705
	18,494,077	**19,269,389**

Summary of Debtors by Consumer Classifications:

as at 30 June 2010	Domestic	Commercial	Government	Schools & Churches	Handovers	Total
Current (0-30 days)	2,848,772	3,434,850	514,480	55,249	3,640	6,856,991
31 - 60 days	1,521,730	1,180,506	396,126	59,390	2,178	3,159,930
61 - 90 days	1,328,049	894,814	411,524	24,289	-	2,658,676
91 - 120 days	1,034,835	696,682	296,471	22,059	3,584	2,053,631
121+ days	11,041,048	4,064,306	2,600,874	564,538	646,423	18,917,189
Less: Allowance for credit losses	(9,243,454)	(117,542)	(170,843)	(84,192)	(265,608)	(9,881,641)
	8,530,980	**10,153,616**	**4,048,632**	**641,333**	**390,217**	**23,764,776**

as at 30 June 2009	Domestic	Commercial	Government	Schools & Churches	Handovers	Total
Current (0-30 days)	2,230,772	2,830,966	320,425	74,744	342,818	5,799,725
31 - 60 days	786,338	632,475	172,807	16,540	300,105	1,908,265
61 - 90 days	548,427	423,813	147,550	18,076	276,359	1,414,225
91 - 120 days	452,013	272,650	102,398	26,852	175,539	1,029,452
121+ days	5,003,312	2,201,731	1,443,228	423,583	3,274,870	12,346,724
Less: Allowance for credit losses	(2,207,817)	(77,096)	(346,691)	(14,140)	(1,791,394)	(4,437,138)
	6,813,045	**6,284,539**	**1,839,717**	**545,655**	**2,578,297**	**18,061,253**

Fair value of trade and other receivables

The fair value of trade and receivables approximates their carrying amounts.

Trade and other receivables past due but not impaired

At 30 June 2010, R 12,822,055 (2009: R 5,792,858) were past due but not impaired.

1 month past due	2,422,907	1,345,726
2 months past due	1,908,881	846,339
3 months past due	1,372,839	616,820
4 months past due	7,117,428	2,983,144

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. Trade and other receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R 13,796,284 (2009: R 10,905,807) were impaired and provided for.

The amount of the provision was R 9,881,641 as of 30 June 2010 (2009: R 4,437,140).

The ageing of these receivables are as follows:

1 month past due	694,469	562,538
2 months past due	744,112	567,886
3 months past due	687,068	412,632
4 months past due	11,670,635	9,363,579

The maximum exposure to credit risk at the reporting date is the fair value of each class of consumers mentioned above. The municipality does not hold any collateral as security.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	4,437,140	2,821,515
Provision for impairment	5,444,501	1,615,625
	9,881,641	**4,437,140**

12. Other receivables from non-exchange transactions

Interest receivable	-	1,176,351
Sundry Debtors	610,575	-
	610,575	**1,176,351**

13. VAT receivable

VAT	17,587,805	16,606,398

VAT is payable on the receipt basis and VAT is paid over to SARS only once payment is received from debtors. Due to incorrect system on VAT reports during previous financial year, the municipality only started submitted VAT returns as from the current financial year. Therefore the balance above include amounts from previous year yet to be declared and claimed.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,000	2,000
Bank balances	13,105,127	16,103,744
Short-term deposits	35,000,000	86,166,258
	48,107,127	**102,272,002**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2010**	**30 June 2009**	**30 June 2008**
ABSA Malelane - Current Account (Primary Account) - Account Number: 1650 000 087	13,934,350	19,976,697	82,755,510	13,105,126	16,124,355	77,347,319
ABSA Malelane - Current Account (Komatipoort) - Account Number: 1650 000 095	-	5,846	2,639,185	-	5,846	5,797,688
ABSA Malelane - Current Account (Marloth Park) - Account Number: 1650 156 796	-	15,559	3,801,411	-	16,039	(54,203,799)
ABSA Malelane - Interest Account - Account Number: 405 399 8294	-	-	-	-	-	1,541,209
Total	**13,934,350**	**19,998,102**	**89,196,106**	**13,105,126**	**16,146,240**	**30,482,417**

The accounts with no balance on year end have been closed during the current financial year.

ABSA Short term deposits:

- Account 2068718251 Investment was reinvested on 03 December 2009 at interest rate of 10.40 % p.a. and will mature on 03 December 2010.	5,000,000	5,000,000
- Account 2068865331 Portion of the investment was reinvested on 03 August 2009 at interest rate of 6.45 % p.a. (2009: 7.20 % p.a.) and will mature on 17 August 2010.	10,000,000	30,000,000
- Account 2068865365 Investment bears fixed interest at 10.48 p.a. and matured on 28 July 2009	-	20,000,000
- Account 2068865323 Investment matured on 07 July 2009 and interests are capitalised on maturity	-	31,166,258
- Account 2070202325 Investment matures on 06 July 2010 and bears interest at 6.6 % p.a.	20,000,000	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

15. Borrowings

Held at amortised cost		
Annuity loan	5,376,773	6,481,609
These loans from DBSA bear interest between 13.4 % and 17.5 % per annum and are repayable in equal bi-annual repayments. Refer to Appendix A for more detail on borrowings.		

Long term borrowings have been utilised in accordance with the Municipal Finance Management Act, sufficient cash has been set aside to ensure that non-current liabilities can be repaid on redemption date.

Above borrowings from external parties were utilised in order to finance Property, Plant and Equipment.

There were no default on principal and interest repayments. None of the tems and conditions have been renegotiated.

Non-current liabilities		
At amortised cost	4,271,594	5,376,430
Current liabilities		
At amortised cost	1,105,179	1,105,179
	5,376,773	**6,481,609**

The fair values of borrowings approximates their carrying value.

16. Finance lease obligation

Minimum lease payments due		
- within one year	1,868,745	1,809,611
- in second to fifth year inclusive	3,512,310	5,230,028
	5,381,055	7,039,639
less: future finance charges	1,102,608	(1,822,238)
Present value of minimum lease payments	**6,483,663**	**5,217,401**
Present value of minimum lease payments due		
- within one year	1,367,395	1,117,585
- in second to fifth year inclusive	2,911,051	4,099,816
	4,278,446	**5,217,401**
Non-current liabilities	2,911,051	4,099,816
Current liabilities	1,367,395	1,117,585
	4,278,446	**5,217,401**

It is municipality policy to lease certain computer and office equipment under finance leases..

The average lease term was 3-5 years and the average effective borrowing rate was 12% (2009: 12%).

Interest rates on some contracts are fixed while others are linked to prime at the contract date. Some leases have fixed repayments while others escalate between 7.5% and 15% per annum .

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Defaults and breaches

There were no default on principal and interest repayments. None of the tems and conditions have been renegotiated.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2010	2009
Unspent conditional grants and receipts		
Municipal Infrastrucure Grant	23,283,392	14,534,343
Financial Management Grant	735,483	744,217
Sanitation Project	893,122	1,070,962
Project Management Unit (PMU/MIG - NATIONAL)	652,217	1,276,578
Electrification Grant	-	2,312,012
	25,564,214	**19,938,112**

Movement during the year

	2010	2009
Balance at the beginning of the year	19,938,112	23,827,109
Additions during the year	82,240,000	49,194,000
Income recognition during the year	(76,613,898)	(53,082,997)
	25,564,214	**19,938,112**

18. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Performance Bonus Provision	284,628	-	(78,235)	206,393
Long Service Award Provision	68,462	292,547	-	361,009
	353,090	**292,547**	**(78,235)**	**567,402**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Performance Bonus Provision	256,792	27,836	284,628
Long Service Award Provision	68,462	-	68,462
	325,254	**27,836**	**353,090**

Long service awards to eligible employees are paid for services rendered by employees of 10 years and longer in five year intervals. These employees are awarded proportionally every five years based on 10 days's basic salary for 10 years service.

Performance bonuses are paid in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

19. Trade and other payables from exchange transactions

	2010	2009
Trade payables	35,903,013	13,015,991
Payments received in advanced	3,220,735	1,715,702
Payroll accruals	1,173,360	660,178
Accrued leave pay	7,103,318	7,409,858
Accrued bonus	3,776,141	2,873,350
Accrued interest	363,007	185,633
Deposits received	2,306,228	2,248,084
Sundry Creditors Control	5,863,405	2,121,071
	59,709,207	**30,229,867**

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

There were no default on principal and interest repayments. None of the tems and conditions have been renegotiated.

20. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2010

		Financial liabilities at amortised cost	Total
Annuity Loan	15	5,376,774	5,376,774
Trade and other payables	19	59,113,825	59,113,825
		64,490,599	**64,490,599**

2009

		Financial liabilities at amortised cost	Total
Annuity Loans	15	6,481,609	6,481,609
Trade and other payables	19	30,229,867	30,229,867
		36,711,476	**36,711,476**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

21. Revenue

Property rates	35,576,766	23,083,716
Service charges	42,802,209	37,809,796
Rental of facilities & equipment	540,790	847,510
Licences and permits	7,479,807	7,910,674
Government grants & subsidies	253,434,714	265,816,560
	339,834,286	**335,468,256**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	42,802,209	37,809,796
Rental of facilities & equipment	540,790	847,510
Licences and permits	7,479,807	7,910,674
	50,822,806	**46,567,980**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	35,576,766	23,083,716
Government grants & subsidies	253,434,714	265,816,560
	289,011,480	**288,900,276**

22. Property rates

Rates received

Commercial	3,165,882	9,046,046
Improved Residential	49,846,345	4,004,497
Unimproved Residential	-	10,033,173
Less: Income forgone	(20,310,385)	-
Government	2,874,924	-
	35,576,766	**23,083,716**

Assessment rates are levied as follow:	**c**	**c**
Unimproved Residential Stands	3.00	10.95
Improved Residential Stands	6.60	6.60
Business	14.00	12.25
(Marloth Park) Unimproved Residential Stand - valuation above R 40,000.00	-	6.60
Agricultural	3	-
State Owned	10	-
PSI	3	-
	39.60	**36.40**

Rebates are granted to pensioners, permanent disabled persons, consolidated and notarial tide accounts as follow:	**%**	**%**
Consolidated or Notarial tide	-	-
- 2 stands	20	20
- 3 stands	30	30
- 4 stands or more	40	40
Pensioners or Permanent medically disabled	-	-
- income less than R 1,200 per month	40	40
- income more than R 1,200, but less than R 2, 000 per month	20	20
	150	**150**

Rates are levied on annual basis and repayable in twelve equal payments with the final date of payment being 30 June 2010

22. Property rates (continued)

(2009: 30 June). Interest at % per annum (2009: 11.5%) is levied on outstanding rates.

Valuations

	2010	2009
Commercial	81,478,500	81,478,500
Municipal	12,433,200	12,433,200
Residential	172,036,881	172,036,881
State	340,700	340,700
Supplementary values	6,547,400	6,547,400
Unknown - not yet classified	75,992,500	75,992,500
	348,829,181	**348,829,181**

Assessment rates are charged on the valuation roll done before demarcation. Valuations on land are performed every three years and the last general valuation came into effect on the following dates:

- Malelane	- 1 June 2009
- Marloth Park	- 17 December 1997
- Komatipoort	- 2 January 2000
- Supplementary valuations	- 2 January 2004

Special permission was granted by the MEC to utilise the valuation done in 1997 for Marloth Park longer than three years.

23. Service charges

	2010	2009
Sale of electricity	28,070,647	24,202,020
Sale of water	9,118,520	7,692,954
Sewerage and sanitation charges	2,269,798	2,770,791
Refuse removal	3,343,244	3,144,031
	42,802,209	**37,809,796**

24. Government grants and subsidies

	2010	2009
Equitable share	176,820,817	213,425,733
Municipal Infrastructure Grant (MIG - National)	57,020,991	43,598,703
Financial Management Grant (National	758,733	227,609
Municipal Systems Improvement Grant (MIG - National)	735,000	735,000
Electrification Grant	14,792,012	586,971
Project Management Unit (PMU/MIG - NATIONAL)	3,129,321	1,197,499
Sanitation Project	177,840	6,045,045
	253,434,714	**265,816,560**

Equitable Share

In terms of the Division of Revenue Act this unconditional grant, derived from the Provincial Sphere's share of revenue raised nationally, is intended to assist the funding of unforeseeable and unavoidable expenditure due to significant and unforeseeable economic and financial events.

Municipal Infrastructure Grant

	2010	2009
Balance unspent at beginning of year	14,534,343	19,245,745
Current-year receipts	65,770,040	38,887,300
Conditions met - transferred to revenue	(57,020,991)	(43,598,702)
	23,283,392	**14,534,343**

This grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	744,217	471,826
Current-year receipts	750,000	500,000
Conditions met - transferred to revenue	(758,734)	(227,609)
	735,483	**744,217**

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Municipal System Improvement Grant

Balance unspent at beginning of year	-	826,731
Current-year receipts	735,000	735,000
Conditions met - transferred to revenue	(735,000)	(1,561,731)
	-	**-**

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act and related legislation and policies.

Sanitation Project

Balance unspent at beginning of year	1,070,962	1,657,933
Conditions met - transferred to revenue	(177,840)	(586,971)
	893,122	**1,070,962**

Project Management Unit (PMU/MIG - NATIONAL)

Balance unspent at beginning of year	1,276,578	427,377
Current-year receipts	2,504,960	2,046,700
Conditions met - transferred to revenue	(3,129,321)	(1,197,499)
	652,217	**1,276,578**

Electrification Grant

Balance unspent at beginning of year	2,312,012	1,332,058
Current-year receipts	12,480,000	7,025,000
Conditions met - transferred to revenue	(14,792,012)	(6,045,046)
	-	**2,312,012**

25. Other revenue

Recovery	1,108,153	1,104,030
Other income	2,604,566	4,343,833
	3,712,719	**5,447,863**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

26. Other income

Building plan fees	216,906	204,932
Entrance fees	1,095,801	1,100,278
Fire fighting services	600	1,262
Proceeds with sale of stands	-	1,415,151
Traffic fines	373,185	612,998
Other fees	918,074	1,009,212
	2,604,566	**4,343,833**

27. General expenses

Accounting fees	1,004,717	436,552
Advertising	948,469	545,528
Auditors remuneration	1,562,068	580,907
Bank charges	335,143	746,338
Cleaning	116,199	202,389
Computer expenses	4,580,722	1,564,395
Conferences and seminars	365,976	-
Consulting and professional fees	4,814,640	4,785,451
Consumables	2,596,227	2,388,460
Courier costs	288,837	251,654
Disaster Management	341,112	447,766
Entertainment	509,635	1,334,526
Ward committes	73,000	-
Hire	2,987,613	1,925,949
Insurance	1,376,175	1,043,024
Lease rentals on operating lease	1,806,482	1,403,639
Legal fees	6,812,441	3,198,738
Licence fees	10,598	26,912
Medical expenses	-	59,633
Motor vehicle expenses	5,156,762	5,466,158
Networks and substations	1,313,422	1,033,165
New Connections	5,883,592	3,467,011
Other expenses	977,248	(95,248)
Mayoral Outreach	249,737	-
Pest control	50,050	116,582
Postage and courier	209,259	175,002
Printing and stationery	1,035,253	955,051
Project maintenance costs	5,342,208	2,990,877
Projects	2,099,372	1,132,149
Refuse	185,289	-
Research and development costs	8,247	89,020
Security	5,231,409	3,121,061
Staff welfare	79,277	91,670
Membership fees	276,760	997,283
Telephone and fax	3,066,709	3,068,682
Registration of Landfill Site	52,000	-
Transveral Unit	542,832	-
Town Planning	1,111,954	1,059,242
Training	1,276,535	998,009
Traditional Council	150,000	-
Travel - local	796,076	-
Uniforms	1,221,108	881,512
	66,845,153	**46,489,087**

28. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. Operating (deficit) surplus (continued)

Operating lease charges

Premises		
• Contractual amounts	1,806,482	1,403,639

Gain (loss) on sale of property, plant and equipment	255,247	(20,654)
Amortisation on intangible assets	40,398	-
Depreciation on property, plant and equipment	32,583,160	30,290,872
Employee costs	141,958,189	113,738,410
Research and development	8,247	89,020

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

29. Employee related costs

Salaries & Wages	53,278,107	53,039,716
Contributions for UIF, pensions and medical aid funds	19,053,957	14,078,320
Travel, motor car, accommodation, subsistence and other allowances	5,269,357	2,720,145
Housing benefits	1,088,422	1,204,119
Overtime payments	12,566,180	9,172,187
Performance and other bonuses	4,550,729	4,212,482
Skills development levies	956,043	770,733
Other employee related costs	27,006,279	11,584,704
	123,769,074	**96,782,406**

Remuneration of municipal manager

Annual Remuneration	650,458	709,590
Travel, motor car, accommodation, subsistence and other allowances	125,400	136,800
Performance Bonuses	79,263	81,697
	855,121	**928,087**

Remuneration of chief finance officer

Annual Remuneration	659,689	515,496
Travel, motor car, accommodation, subsistence and other allowances	120,196	120,391
Contributions to UIF, Medical and Pension Funds	133,435	96,863
	913,320	**732,750**

Remuneration of executive directors

as at 30 June 2010	**Technical Services**	**Corporate Services**	**Community Services**	**Financial Department**	**Public safety**	**Total**
Annual remuneration	502,874	-	536,950	659,689	535,662	2,235,175
Travel, motor car, accommodation, subsistence and other allowances	133,090	-	110,917	120,196	62,272	426,475
Contributions for UIF, pensions and medical aid funds	122,120	-	108,932	133,435	132,106	496,593
	758,084	**-**	**756,799**	**913,320**	**730,040**	**3,158,243**

as at 30 June 2009	**Technical Services**	**Corporate Services**	**Community Services**	**Financial Department**	**Public safety**	**Total**
Annual remuneration	559,768	396,727	401,862	515,496	437,448	2,311,301
Travel, motor car, accommodation, subsistence and other allowances	120,179	93,920	95,642	120,391	48,000	478,132
Contributions for UIF, pensions and medical aid funds	95,007	111,624	84,170	96,863	119,994	507,658
	774,954	**602,271**	**581,674**	**732,750**	**605,442**	**3,297,091**

The director in the Corporate Services department resigned at end of the previous financial year.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

30. Remuneration of councillors

Executive Major	593,040	554,990
Mayoral Committee Members	2,689,533	2,092,417
Speaker	477,638	447,544
Councillors	5,765,873	5,395,137
Councillors’ pension and medical aid contributions	956,045	888,658
Councillors' allowances	2,780,301	2,619,330
	13,262,430	**11,998,076**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to use of a Council owned vehicle for official duties. The Executive Mayor has one full time bodyguard.

31. Debt impairment

Debt impairment	-	4,679
Contributions to debt impairment provision	5,444,501	1,615,625
	5,444,501	**1,620,304**

32. Investment revenue

Interest revenue		
Bank	6,707,087	17,082,782
Interest charged on trade and other receivables	1,513,433	1,252,693
Fair value adjustments: Notional interest	736,801	540,310
	8,957,321	**18,875,785**

33. Depreciation and amortisation

Property, plant and equipment	32,583,160	30,290,872
Intangible assets	40,398	-
	32,623,558	**30,290,872**

34. Impairment of assets

35. Finance costs

Non-current borrowings	1,172,394	1,201,788
Finance leases	637,034	504,406
Bank	-	622,734
Fair value adjustments: Notional interest	897,117	1,003,381
	2,706,545	**3,332,309**

36. Auditors' remuneration

Fees	1,562,068	580,907

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

37. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	526,581	825,058
Rental of equipment	14,209	22,452
	540,790	**847,510**

38. Bulk purchases

Electricity	40,103,284	27,159,741
Sewer purification	1,349,823	909,517
Water	74,361,736	25,302,774
	115,814,843	**53,372,032**

39. Cash generated from operations

(Deficit) surplus	(25,582,172)	103,938,435
Adjustments for:		
Depreciation and amortisation	32,623,558	30,290,872
(Loss) gain on sale of assets and liabilities	(255,247)	20,654
Finance costs - Finance leases	637,034	-
Debt impairment	5,444,501	1,620,304
Movements in operating lease assets and accruals	61,436	100,493
Movements in provisions	214,312	291,739
Other non-cash items	708,265	(22,369)
Changes in working capital:		
Inventories	(107,410)	1,087,669
Trade and other receivables from exchange transactions	(5,692,066)	3,059,636
Other receivables from non-exchange transactions	565,776	(1,093,998)
Consumer debtors	(5,444,501)	-
Deposits made	-	(67,800)
Trade and other payables from exchange transactions	29,479,344	1,781,072
VAT	(981,407)	4,564,778
Unspent conditional grants and receipts	5,626,102	(3,888,998)
	37,297,525	**141,682,487**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	78,758,335	59,018,437

Not yet contracted for and authorised by accounting officer		
• Infrastructure	3,000,000	22,555,883

This committed expenditure relates to infrastructure and will be financed by available bank facilities, retained surpluses, and Government Grant.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,379,445	1,012,407
- in second to fifth year inclusive	1,936,909	2,533,159
	3,316,354	**3,545,566**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are esclated by 10 % per annum. No contingent rent is payable.

41. Contingencies

Contingent liabilities

Appeals against dismissals

Disciplinary hearings were conducted and it was resolved that the following employees be dismissed as recommended, however they have lodged appeals against their dismissal. They are:

SM Shabangu (Municipal Manager)

BI Qwabe (Director Corporate services)

AJ Lubbe (Deputy CFO)

If reinstated, the municipality will be liable for remuneration to the employees for the period they were suspended.

Claims

Claim from Silinda Mokoena & Associates

Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1,264,063 for work done on the valuation roll for the municipality and the municipality lodged a counter claim of R10,794,701.27 against the Valuer because the valuation roll is incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

42. Related parties

Relationships

Business entities of municipality employees	Bilani Security (P. Shongwe) Mabel Construction cc (TB Siboza) Nkomazi Business Networks (T. Repinga)
Post employment benefit plan for employees of municipality	Refer to Note 8 on Employee Retirement Benefit Plans
Remuneration of key management personnel	Refer to Note 28 & 29 for compensation to Municipal Manager, Chief Financial Officer, Executive directors, Mayoral committe and Other Councillors

Related party transactions

Purchases from (sales to) related parties	2010	2009
Bilani Security	1,551,839	479,052
Department of Finance	(48,040)	-
Department of Health	(3,836)	-
Department of Public Works	(132,451)	-
Department of Roads and Transport	(22,094)	-
Department of Water Affairs and Forestry	-	25,302,774
Mabel Construction cc	-	190,421
Mbedvula Trust (TB Siboza)	(14,279)	-
Nkomazi Business Networks	7,906,738	1,032,155
South African Post Office	(1,997)	-
Transnet	(698,555)	-

43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position	2010	2009
Heritage Asset	-	12,105,777

Figures in Rand	2010	2009

44. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Budgeted cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Surplus cash are held as short term deposits to assist in settling future committments.

The table below analyses the municipality's financial liabilities (non-derivatives) into relevant maturity groupings based on the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2010	Carrying value
Annuity Loans	5,376,773
Finance lease obligations	4,278,446
Trade and other payables	56,807,597
Consumer deposits	2,306,228

At 30 June 2009	Carrying value
Annuity Loans	6,481,610
Finance lease obligations	5,217,401
Trade and other payables	27,981,783
Consumer deposits	2,248,084

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2010 and 2009, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2010, if interest rates on short-term Rand-denominated borrowings had been 2% higher with all other variables held constant, surplus for the year would have been R 769,038 (2009: R 343,953) higher, (or lower in the case of an interest rate decrease), mainly as a result of higher or lower interest income on variable rate investments The sensitivity rate are based on management's assessments of reasonable possible changes in interest rates. Fixed rate instruments are not affected by changes in interest rate change.

At reporting date the interest rate profile of the municipality's interest bearing financial instruments was:

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors from exchange transactions. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party in terms of the Banks Act of 1990 (Act 94 of 1990).

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled mainly in cash. Management make use of an independent attorney to assist in debt collection.

The municipality establishes an allowance for impairment that represents its estimate of incurred credit losses in respect of trade and other receivables. All of the municipality's consumers were reviewed for indications of impairment and certain receivables were found to be impaired and an allowance for credit loss was provided for - Refer to Note 11 for the reconciliation thereof.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2010	2009
Short-term deposits	35,000,000	86,166,258
Cash and cash equivalents	13,107,127	15,437,486

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

44. Risk management (continued)

Other deposits made	545,449	545,449
Trade and other receivables from exchange transactions	23,730,708	18,038,642

The municipality does not held any collateral as security but however, has preferential rights on collecting arrear consumer when consumer's properties are placed under sale of execution.

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Events after the reporting date

The executives of the municipality are not aware of any significant matter or circumstance arising subsequent to the financial year end.

47. Unauthorised expenditure

Unauthorised expenditure	27,153,299	-
Condoned by Council	(27,153,299)	-
	-	**-**

48. Fruitless and wasteful expenditure

DWAF Goods & Services	2,937,665	-
DWAF Water Supply O& M	7,233,457	-
Legal cost	2,485,389	-
Salary	82,600	-
Supply Lines, Pumps, Motors-West	335,067	-
	13,074,178	**-**

Late implementation of recommendation to dismiss AJ Lubbe. Matter was concluded in February 2010 but dismissal was only implemented in June 2010. During the month of March 2010 to May 2010 he was paid his salary totalling R82,599.60 which constitutes fruitless and wasteful expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2010	2009
Opening balance	(1,650)	(1,655)
Current year subscription / fee	66,254	433,172
Amount paid - current year	(66,254)	(433,167)
	(1,650)	**(1,650)**

Audit fees

	2010	2009
Current year subscription / fee	1,562,068	580,907
Amount paid - current year	(1,564,918)	(580,907)
	(2,850)	**-**

PAYE and UIF

	2010	2009
Opening balance	49,547	73,873
Current year subscription / fee	13,345,429	10,677,338
Amount paid - current year	(13,253,612)	(10,701,664)
	141,364	**49,547**

Pension and Medical Aid Deductions

	2010	2009
Opening balance	(333)	(13,522)
Current year subscription / fee	28,878,761	22,335,861
Amount paid - current year	(28,820,589)	(22,322,673)
	57,839	**(334)**

VAT

	2010	2009
VAT receivable	17,587,805	16,606,398

VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mkhumbane & S & T C	3,399	-	3,399

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Masilela DL	1,670	11,781	13,451
Masilela E	872	6,933	7,805
	2,542	**18,714**	**21,256**

Notes to the Annual Financial Statements

Figures in Rand

50. Statement of comparative and actual information

2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	35,524,181	35,524,181		35,524,181	35,576,766		(52,585)	100 %	100 %
Service charges	57,270,000	62,314,000		62,314,000	42,802,209		19,511,791	69 %	75 %
Investment revenue	6,300,000	6,250,000		6,250,000	8,957,321		(2,707,321)	143 %	142 %
Transfers recognised - operational	182,664,960	178,021,960		178,021,960	253,434,714		(75,412,754)	142 %	139 %
Other own revenue	28,116,300	26,550,300		26,550,300	11,988,563		14,561,737	45 %	43 %
Total revenue (excluding capital transfers and contributions)	**309,875,441**	**308,660,441**		**308,660,441**	**352,759,573**		**(44,099,132)**	**114 %**	**114 %**
Employee costs	(120,109,482)	(149,304,121)	-	(149,304,121)	(128,695,759)	-	(20,608,362)	86 %	107 %
Remuneration of councillors	(13,816,960)	(389,770)	-	(389,770)	(13,262,430)	-	12,872,660	3,403 %	96 %
Debt impairment	-	-		-	(5,444,501)	-	5,444,501	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-		-	(32,623,558)	-	32,623,558	DIV/0 %	DIV/0 %
Finance charges	(2,559,849)	(4,502,826)	-	(4,502,826)	(2,706,545)	-	(1,796,281)	60 %	106 %
Materials and bulk purchases	(39,100,000)	(62,757,500)	-	(62,757,500)	(115,814,843)	-	53,057,343	185 %	296 %
Other expenditure	(115,927,618)	(75,978,570)	-	(75,978,570)	(79,794,109)	-	3,815,539	105 %	69 %
Total expenditure	**(291,513,909)**	**(292,932,787)**	**-**	**(292,932,787)**	**(378,341,745)**	**-**	**85,408,958**	**129 %**	**130 %**
Surplus/(Deficit)	**18,361,532**	**15,727,654**		**15,727,654**	**(25,582,172)**		**41,309,826**	**(163)%**	**(139)%**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit) for the year	**18,361,532**	**15,727,654**		**15,727,654**	**(25,582,172)**		**41,309,826**	**(163)%**	**(139)%**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows									
Net cash from (used) operating	-	-		-	37,297,525		(37,297,525)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-		-	(88,781,575)		88,781,575	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-		-	(2,680,825)		2,680,825	DIV/0 %	DIV/0 %
Cash/cash equivalents at the year end	**-**	**-**		**-**	**(54,164,875)**		**54,164,875**	**DIV/0 %**	**DIV/0 %**

Detailed Income statement

Figures in Rand		2010	2009
Revenue			
Property rates	22	35,576,766	23,083,716
Service charges	23	42,802,209	37,809,796
Rental of facilities and equipment		540,790	847,510
Licences and permits		7,479,807	7,910,674
Government grants & subsidies	24	253,434,714	265,816,560
Recoveries		1,108,153	1,104,030
Other income	26	2,604,566	4,343,833
Interest received - investment	32	8,957,321	18,875,785
Total Revenue		**352,504,326**	**359,791,904**
Expenditure			
Personnel	29	(128,695,759)	(101,740,334)
Remuneration of councillors	30	(13,262,430)	(11,998,076)
Depreciation and amortisation	33	(32,623,558)	(30,290,872)
Finance costs	35	(2,706,545)	(3,332,309)
Debt impairment	31	(5,444,501)	(1,620,304)
Repairs and maintenance		(12,948,956)	(6,989,801)
Bulk purchases	38	(115,814,843)	(53,372,032)
General Expenses	27	(66,845,153)	(46,489,087)
Total Expenditure		**(378,341,745)**	**(255,832,815)**
Gain (loss) on disposal of assets and liabilities		255,247	(20,654)
(Deficit) surplus for the year		**(25,582,172)**	**103,938,435**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Appendix A
June 2010

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable Date	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Loan @ 17.40 % (Electricity)	15370-10	2009	3,522	-	3,522	-	-	-
Loan @ 17.55 % (Electricity)	15370-11	2009	20,262	-	20,262	-	-	-
Loan @ 15.26 % (Electricity)	15264-03	2011	59,278	-	21,141	38,137	-	-
Loan @ 17.53 % (Electricity)	15264-06	2009	4,172	-	4,172	-	-	-
Loan @ 15.77 % (Sewerage)	15416-13	2009	197,433	-	197,433	-	-	-
Loan @ 15.77 % (Water Supply)	15416-14	2009	149,923	-	149,923	-	-	-
Loan @ 15.80 % (Electricity)	15416-16	2009	204,350	-	131,008	73,342	-	-
Loan @ 15.80 % (Roads)	15416-17	2010	76,064	-	48,764	27,300	-	-
Loan @ 15.80 % (Registration Authority)	15416-18	2010	102,175	-	65,504	36,671	-	-
Loan @ 16.50 % (Upgrading Malelane Infrastructure)	13273-102	2018	4,509,765	-	200,122	4,309,643	-	-
Loan @ 0 % LEDC (Water)	LEDC	2009	37,831	-	-	37,831	-	-
Loan @ 15.26 % (Purchase of farm, Lionspruit)	15321-03	2012	1,116,834	-	262,983	853,851	-	-
			6,481,609	**-**	**1,104,834**	**5,376,775**	**-**	**-**
Total external loans								
Development Bank of South Africa			6,481,609	-	1,104,834	5,376,775	-	-
			6,481,609	**-**	**1,104,834**	**5,376,775**	**-**	**-**

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation: Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Accumulated depreciation: Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
1000 LAND														
11001 DEVELOPED LAND	7,563,134	-	-	-	-	-	**7,563,134**	-	-	-	-	-	**-**	7,563,134
11002 UNDEVELOPED LAND	24,849,194	-	-	-	-	-	**24,849,194**	-	-	-	-	-	**-**	24,849,194
	32,412,328	**-**	**-**	**-**	**-**	**-**	**32,412,328**	**-**	**-**	**-**	**-**	**-**	**-**	**32,412,328**
2000 BUILDINGS														
21000 DWELLINGS	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
21001 CARVANS	1,487,416	-	-	-	-	-	**1,487,416**	(300,427)	-	-	(148,638)	-	**(449,065)**	1,038,351
21005 HOSTELS	2,167,637	-	-	-	-	-	**2,167,637**	(165,401)	-	-	(72,204)	-	**(237,605)**	1,930,032
21011 RESIDENCES (PERSONNEL) INCL GA	8,045,702	-	-	-	-	-	**8,045,702**	(756,546)	-	-	(268,005)	-	**(1,024,551)**	7,021,151
22000 NON-RESIDENTIAL DWELLINGS	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
22003 BUS TERMINALS	195,217	-	-	-	-	-	**195,217**	(13,567)	-	-	(6,503)	-	**(20,070)**	175,147
22006 CLINCS AND COMMUNITY HEALTH	3,470,753	-	-	-	-	-	**3,470,753**	(400,967)	-	-	(115,612)	-	**(516,579)**	2,954,174
22007 COMMUNITY CERTRES AND PUBLIC	23,716,831	-	-	-	-	-	**23,716,831**	(1,648,263)	-	-	(790,019)	-	**(2,438,282)**	21,278,549
22014 LIBRARIES	7,379,915	-	-	-	-	-	**7,379,915**	(512,886)	-	-	(245,829)	-	**(758,715)**	6,621,200
22017 OFFICE BUILDIONGS (INCL AIR CON)	10,052,472	640,297	-	-	-	-	**10,692,769**	(902,873)	-	-	(344,562)	-	**(1,247,435)**	9,445,334
22018 PUBLIC PARKING (COVERED AND OPEN)	3,590,129	-	-	-	-	-	**3,590,129**	(288,284)	-	-	(119,587)	-	**(407,871)**	3,182,258
22019 POLICE STATIONS (AND ASSOCIATE)	5,714,176	-	-	-	-	-	**5,714,176**	(397,122)	-	-	(190,342)	-	**(587,464)**	5,126,712
22022 STADIUM	2,751,528	211,067	-	-	-	-	**2,962,595**	(191,224)	-	-	(97,339)	-	**(288,563)**	2,674,032
22023 TAXI RANKS	2,832,583	-	-	-	-	-	**2,832,583**	(393,715)	-	-	(188,709)	-	**(582,424)**	2,250,159
22025 WAREHOUSES (STORAGE FACILITIES)	711,390	167,804	-	-	-	-	**879,194**	(54,688)	-	-	(25,120)	-	**(79,808)**	799,386
22026 SPORT AND RECREATIONAL FACILITY	3,058,747	-	-	-	-	-	**3,058,747**	(212,485)	-	-	(101,887)	-	**(314,372)**	2,744,375
22027 NON RESIDENTIAL PERIMETER PROTECTIONS	4,518,088	5,638,090	-	-	-	-	**10,156,178**	(361,155)	-	-	(294,908)	-	**(656,063)**	9,500,115
22028 ABLUTION / PUBLIC FACILITIES	1,764,855	131,421	-	-	-	-	**1,896,276**	(140,563)	-	-	(61,594)	-	**(202,157)**	1,694,119
22029 CAR PORTS	772,800	-	-	-	-	-	**772,800**	(120,842)	-	-	(57,920)	-	**(178,762)**	594,038
	82,230,239	**6,788,679**	**-**	**-**	**-**	**-**	**89,018,918**	**(6,861,008)**	**-**	**-**	**(3,128,778)**	**-**	**(9,989,786)**	**79,029,132**
3000 OTHER STRUCTURE (INFRASTRUCTURES)														
31000 ELECTRICITY	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
31010 TRANSFORMERS	13,144,581	-	-	-	-	-	**13,144,581**	(493,073)	-	-	(262,704)	-	**(755,777)**	12,388,804
31012 LINES OVERHEAD	7,861,425	-	-	-	-	-	**7,861,425**	(546,342)	-	-	(261,863)	-	**(808,205)**	7,053,220
31013 CABLES	6,983,535	-	-	-	-	-	**6,983,535**	(323,559)	-	-	(155,083)	-	**(478,642)**	6,504,893
31017 SUBSTATION EQUIPMENT INDOOR	15,914,534	-	-	-	-	-	**15,914,534**	(788,164)	-	-	(397,588)	-	**(1,185,752)**	14,728,782
31021 STRUCTURE FOR ELECTRICAL PURPOSE	8,400	-	-	-	-	-	**8,400**	(500)	-	-	(240)	-	**(740)**	7,660
31022 HIGH MAST LIGHTS	9,425,252	-	-	-	-	-	**9,425,252**	(1,196,553)	-	-	(627,915)	-	**(1,824,468)**	7,600,784
31023 RING MAIN UNITS	1,904,350	-	-	-	-	-	**1,904,350**	(64,132)	-	-	(38,061)	-	**(102,193)**	1,802,157

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
31025 MINI SUB STATION	-	80,005	-	-	-	-	**80,005**	-	-	-	(1,132)	-	**(1,132)**	78,873
32000 ROADS	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
32101 BRIDGES VEHICLE CONCRETE	-	785,592	-	-	-	-	**785,592**	-	-	-	(5,183)	-	**(5,183)**	780,409
32104 BRIDGES PEDESTRIAN CONCRETE	-	188,505	-	-	-	-	**188,505**	-	-	-	(1,542)	-	**(1,542)**	186,963
32301 ROADS MUNICIPAL ASPHALT SURFAC	49,813,978	-	-	-	-	**483,206**	**50,297,184**	(2,533,344)	-	-	(2,488,984)	-	**(5,022,328)**	45,274,856
32302 ROADS MUNICIPAL ASPHALT LAYER	53,031,825	-	-	-	-	-	**53,031,825**	(1,573,904)	-	-	(1,059,906)	-	**(2,633,810)**	50,398,015
32305 ROADS MUNICIPAL GRAVEL SURFACE	24,626,646	-	-	-	-	-	**24,626,646**	(5,128,354)	-	-	(2,460,956)	-	**(7,589,310)**	17,037,336
32316 ROADS PAVED SURFACE	-	145,243	-	-	-	-	**145,243**	-	-	-	(2,757)	-	**(2,757)**	142,486
32408 ROADS STREET LIGHTING	-	44,455	-	-	-	-	**44,455**	-	-	-	(584)	-	**(584)**	43,871
32415 ROAD CALMING MEASURES	-	430,504	-	-	-	-	**430,504**	-	-	-	(8,268)	-	**(8,268)**	422,236
3400 WATER	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
34004 WATER METERS	231,690,933	32,341,864	-	-	-	**35,124,167**	**299,156,964**	(22,748,902)	-	-	(12,499,956)	-	**(35,248,858)**	263,908,106
34201 PUMP STATIONS STRUCTURE	10,893,067	-	-	-	-	-	**10,893,067**	(342,205)	-	-	(197,926)	-	**(540,131)**	10,352,936
34202 PUMP STATIONS ELECTRICAL	2,224,126	-	-	-	-	-	**2,224,126**	(88,114)	-	-	(55,562)	-	**(143,676)**	2,080,450
34203 PUMP STATIONS MECHANICAL	2,192,796	431,522	-	-	-	-	**2,624,318**	(86,620)	-	-	(57,710)	-	**(144,330)**	2,479,988
34301 RESERVOIR STRUCTURE	94,427,950	989,282	-	-	-	-	**95,417,232**	(3,633,687)	-	-	(1,893,374)	-	**(5,527,061)**	89,890,171
34302 RESERVOIR ELECTRICAL	890,616	-	-	-	-	-	**890,616**	(35,007)	-	-	(22,249)	-	**(57,256)**	833,360
34303 RESERVOIR MECHANICAL	3,482,747	-	-	-	-	-	**3,482,747**	(153,274)	-	-	(87,001)	-	**(240,275)**	3,242,472
34501 WATER PURIFICATION WORKS STRUCTURE	19,377,752	4,029,330	-	-	-	-	**23,407,082**	(633,145)	-	-	(396,747)	-	**(1,029,892)**	22,377,190
34502 WATER PURIFICATION WORKS ELECT	5,112,459	-	-	-	-	-	**5,112,459**	(202,389)	-	-	(127,716)	-	**(330,105)**	4,782,354
34503 WATER PURIFICATION WORKS MECHA	2,088,006	917,864	-	-	-	-	**3,005,870**	(67,990)	-	-	(74,834)	-	**(142,824)**	2,863,046
35000 SEWERAGE	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
35001 SEWERS / RETICULATION	-	556,163	-	-	-	-	**556,163**	-	-	-	(3,665)	-	**(3,665)**	552,498
35201 SEWERAGE PUMP STATION STRUCTURE	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
35202 SEWERAGE PUMP STATIONS ELECTRI	819,302	-	-	-	-	-	**819,302**	(42,705)	-	-	(20,468)	-	**(63,173)**	756,129
35301 WASTE PURIFICATION WORKS STRUC	3,093,450	-	-	-	-	-	**3,093,450**	(109,623)	-	-	(56,206)	-	**(165,829)**	2,927,621
35303 WASTE PURFICATION WORKS MECHA	396,730	-	-	-	-	-	**396,730**	(7,239)	-	-	(9,911)	-	**(17,150)**	379,580
36000 SOLID WASTE DISPOSAL	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
36002 COLLECTION CONTAINERS / BINS	99,080	-	-	-	-	-	**99,080**	(3,853)	-	-	(6,601)	-	**(10,454)**	88,626
36009 LANDFILL SITE STRUCTURE	88,423	1,969,883	-	-	-	-	**2,058,306**	(3,348)	-	-	(13,909)	-	**(17,257)**	2,041,049
	559,591,963	**42,910,212**	**-**	**-**	**-**	**35,607,373**	**638,109,548**	**(40,806,026)**	**-**	**-**	**(23,296,601)**	**-**	**(64,102,627)**	**574,006,921**

Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
4000 OTHER														
41000 MACHINERY AND EQUIPMENTS	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
41002 BUILDING AIR CONDITIONING SYST	-	95,979	-	-	-	**-**	**95,979**	-	-	-	(1,636)	-	**(1,636)**	94,343
41003 CELLULAR PHONES	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
41006 ELECTRIC WIRE AND POWER DISTRI	424,781	699,254	-	-	-	**-**	**1,124,035**	(45,903)	-	-	(157,875)	-	**(203,778)**	920,257
41007 EMERGENCY / RESCUE EQUIPMENT	221,855	-	-	-	-	**-**	**221,855**	(83,829)	-	-	(20,159)	-	**(103,988)**	117,867
41011 GARDENING EQUIPMENT	-	25,889	-	-	-	**-**	**25,889**	-	-	-	(2,357)	-	**(2,357)**	23,532
41024 PHOTOGRAPHIC EQUIPMENT	246,806	-	-	-	-	**-**	**246,806**	(99,281)	-	-	(35,177)	-	**(134,458)**	112,348
41027 ROAD CONSTRUCTION AND MAINTENA	7,999,158	349,569	-	-	-	**-**	**8,348,727**	(2,643,804)	-	-	(503,322)	-	**(3,147,126)**	5,201,601
41029 SECURITY EQUIPMENT / - SYSTEMS	-	130,925	-	-	-	**-**	**130,925**	-	-	-	(20,575)	-	**(20,575)**	110,350
41034 TELECOMMUNICATION EQUIPMENT	285,414	-	-	-	-	**-**	**285,414**	(119,763)	-	-	(46,929)	-	**(166,692)**	118,722
41035 TENTS FLAGS AND ACCESSORIES	-	135,000	-	-	-	**-**	**135,000**	-	-	-	(5,392)	-	**(5,392)**	129,608
41037 WORKSHOP EQUIPMENT AND LOOSE T	7,200	58,056	-	-	-	**-**	**65,256**	(2,098)	-	-	(5,162)	-	**(7,260)**	57,996
41038 WORKSHOP EQUIPMENT AND LOOSE T	1,171,764	69,768	-	-	-	**-**	**1,241,532**	(507,374)	-	-	(234,795)	-	**(742,169)**	499,363
4200 FURNITURE AND OFFICE EQUIPMENT	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
42001 ADVERTISING BOARDS	500	63,005	-	-	-	**-**	**63,505**	(87)	-	-	(11,412)	-	**(11,499)**	52,006
42006 OFFICE EQUIPMENT INCLUDING FAX	315,440	33,072	(4,585)	-	-	**-**	**343,927**	(164,592)	2,197	-	(32,892)	-	**(195,287)**	148,640
42007 OFFICE FURNITURE	4,413,693	647,883	(10,987)	-	-	**-**	**5,050,589**	(1,635,734)	7,939	-	(593,176)	-	**(2,220,971)**	2,829,618
4300 COMPUTER EQUIPMENT	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
43001 COMPUTER HARDWARE INCLUDING OP	10,261,176	1,426,666	(78,515)	-	-	**-**	**11,609,327**	(3,663,236)	68,092	-	(1,966,773)	-	**(5,561,917)**	6,047,410
44000 TRANSPORT ASSETS	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
44005 CYCLES	75,000	-	-	-	-	**-**	**75,000**	(9,276)	-	-	(8,566)	-	**(17,842)**	57,158
44006 EMERGENCY VEHICLES	2,578,250	-	-	-	-	**-**	**2,578,250**	(1,737,229)	-	-	(161,964)	-	**(1,899,193)**	679,057
44008 MOTOR VEHICLES	10,818,475	1,789,765	-	-	-	**-**	**12,608,240**	(3,660,554)	-	-	(1,214,419)	-	**(4,874,973)**	7,733,267
44012 TRAILERS AND ACCESSORIES	763,914	-	-	-	-	**-**	**763,914**	(429,784)	-	-	(27,288)	-	**(457,072)**	306,842
44013 TRUCKS	8,829,994	2,574,737	-	-	-	**-**	**11,404,731**	(3,639,980)	-	-	(1,107,915)	-	**(4,747,895)**	6,656,836
	48,413,420	**8,099,568**	**(94,087)**	**-**	**-**	**-**	**56,418,901**	**(18,442,524)**	**78,228**	**-**	**(6,157,784)**	**-**	**(24,522,080)**	**31,896,821**
5000 HERITAGE ASSETS														
51000 HERITAGE ASSETS	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
51001 AREAS OF LAND OF HISTORIC OR S	500	-	-	-	-	**-**	**500**	-	-	-	-	-	**-**	500
51002 CULTURALLY SIGNIFICANT BUILDING	1,449,727	-	-	-	-	**-**	**1,449,727**	-	-	-	-	-	**-**	1,449,727
51003 NATIONAL MONUMENTS	4,163,720	-	-	-	-	**-**	**4,163,720**	-	-	-	-	-	**-**	4,163,720
Buses	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-

Appendix B

June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
51004 NATIONAL PARKS / RESERVES	12,105,777	-	-	-	-	**-**	**12,105,777**	-	-	-	-	-	**-**	12,105,777
	17,719,724	**-**	**-**	**-**	**-**	**-**	**17,719,724**	**-**	**-**	**-**	**-**	**-**	**-**	**17,719,724**
OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total property plant and equipment														
1000 LAND	32,412,328	-	-	-	-	**-**	**32,412,328**	-	-	-	-	-	**-**	32,412,328
2000 BUILDINGS	82,230,239	6,788,679	-	-	-	**-**	**89,018,918**	(6,861,008)	-	-	(3,128,778)	-	**(9,989,786)**	79,029,132
3000 OTHER STRUCTURE (INFRASTRUCTURES)	559,591,963	42,910,212	-	-	-	**35,607,373**	**638,109,548**	(40,806,026)	-	-	(23,296,601)	-	**(64,102,627)**	574,006,921
4000 OTHER	48,413,420	8,099,568	(94,087)	-	-	**-**	**56,418,901**	(18,442,524)	78,228	-	(6,157,784)	-	**(24,522,080)**	31,896,821
5000 HERITAGE ASSETS	17,719,724	-	-	-	-	**-**	**17,719,724**	-	-	-	-	-	**-**	17,719,724
OTHER	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	740,367,674	**57,798,459**	**(94,087)**	**-**	**-**	**35,607,373**	**833,679,419**	**(66,109,558)**	**78,228**	**-**	**(32,583,163)**	**-**	**(98,614,493)**	**735,064,926**
6000 BIOLOGICAL OR CULTIVATED ASSET														
61000 BIOLOGICAL OR CULTIVATED ASSET	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
61005 GAME	12,105,777	-	-	(12,105,777)	-	**-**	**-**	-	-	-	-	-	**-**	-
	12,105,777	**-**	**-**	**(12,105,777)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7000 INTANGIBLE ASSETS														
7100 INTANGIBLE ASSETS	614	-	-	-	-	**-**	**614**	(40)	-	-	-	-	**(40)**	574
71002 COMPUTER SOFTWARE	-	614,118	-	-	-	**-**	**614,118**	-	-	-	(40,398)	-	**(40,398)**	573,720
	614	**614,118**	**-**	**-**	**-**	**-**	**614,732**	**(40)**	**-**	**-**	**(40,398)**	**-**	**(40,438)**	**574,294**
8000 INVESTMENT PROPERTY														
81000 INVESTMENT PROPERTY	8,168	-	-	-	-	**-**	**8,168**	-	-	-	-	-	**-**	8,168
81001 INVESTMENT PROPERTY	8,167,900	-	-	-	-	**-**	**8,167,900**	-	-	-	-	-	**-**	8,167,900
	8,176,068	**-**	**-**	**-**	**-**	**-**	8,176,068	**-**	**-**	**-**	**-**	**-**	**-**	**8,176,068**
Total														
1000 LAND	32,412,328	-	-	-	-	**-**	**32,412,328**	-	-	-	-	-	**-**	32,412,328
2000 BUILDINGS	82,230,239	6,788,679	-	-	-	**-**	**89,018,918**	(6,861,008)	-	-	(3,128,778)	-	**(9,989,786)**	79,029,132
3000 OTHER STRUCTURE (INFRASTRUCTURES)	559,591,963	42,910,212	-	-	-	**35,607,373**	**638,109,548**	(40,806,026)	-	-	(23,296,601)	-	**(64,102,627)**	574,006,921
4000 OTHER	48,413,420	8,099,568	(94,087)	-	-	**-**	**56,418,901**	(18,442,524)	78,228	-	(6,157,784)	-	**(24,522,080)**	31,896,821
5000 HERITAGE ASSETS	17,719,724	-	-	-	-	**-**	**17,719,724**	-	-	-	-	-	**-**	17,719,724
OTHER	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-

Appendix B

June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
6000 BIOLOGICAL OR CULTIVATED ASSET	12,105,777	-	-	(12,105,777)	-	-	-	-	-	-	-	-	-	-
7000 INTANGIBLE ASSETS	614	614,118	-	-	-	-	**614,732**	(40)	-	-	(40,398)	-	**(40,438)**	574,294
8000 INVESTMENT PROPERTY	8,176,068	-	-	-	-	-	**8,176,068**	-	-	-	-	-	-	8,176,068
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	760,650,133	**58,412,577**	**(94,087)**	**(12,105,777)**	**-**	**35,607,373**	**842,470,219**	**(66,109,598)**	**78,228**	**-**	**(32,623,561)**	**-**	**(98,654,931)**	**743,815,288**

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

Appendix C
June 2010

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
SECURITY SERVICES	10,698	30,983	-	-	-	**-**	**41,681**	(5,412)	-	-	(3,035)	-	**(8,447)**	33,234
PROTECTION SERVICES	4,930,612	123,980	-	-	-	**-**	**5,054,592**	(979,186)	-	-	(333,582)	-	**(1,312,768)**	3,741,824
VEHICLE REGISTRATION	8,261,607	3,833,241	(6,500)	-	-	**-**	**12,088,348**	(3,533,027)	5,444	-	(964,376)	-	**(4,491,959)**	7,596,389
FIRE PROTECTION	2,826,577	-	-	-	-	**-**	**2,826,577**	(1,388,639)	-	-	(286,094)	-	**(1,674,733)**	1,151,844
CIVIL SERVICES ADMINISTRATION	4,311,170	46,760	-	-	-	**-**	**4,357,930**	(1,132,026)	-	-	(402,145)	-	**(1,534,171)**	2,823,759
P/W ROADS-STORMWATER	138,587,329	1,459,999	-	-	-	**-**	**140,047,328**	(11,052,203)	-	-	(6,662,576)	-	**(17,714,779)**	122,332,549
NATURE CONSERVATION	14,769,746	1,055,388	(1,100)	-	-	**-**	**15,824,034**	(449,906)	1,099	-	(137,553)	-	**(586,360)**	15,237,674
PARKS & CEMENTRIES	14,212,878	1,880,212	-	-	-	**-**	**16,093,090**	(930,400)	-	-	(489,081)	-	**(1,419,481)**	14,673,609
SOCIAL ECONOMIC DEVELOPMENT	23,425,485	887,627	(6,177)	-	-	**-**	**24,306,935**	(1,786,915)	4,199	-	(741,054)	-	**(2,523,770)**	21,783,165
PRIMARY HEALTH	10,660,744	-	-	-	-	**-**	**10,660,744**	(1,381,557)	-	-	(523,739)	-	**(1,905,296)**	8,755,448
LIBRARY	10,997,293	70,428	(14,978)	-	-	**-**	**11,052,743**	(1,050,174)	12,835	-	(454,563)	-	**(1,491,902)**	9,560,841
MUNICIPAL MANAGER	1,527,425	114,083	(943)	-	-	**-**	**1,640,565**	(705,272)	843	-	(168,202)	-	**(872,631)**	767,934
CORPORATE SERVICES	52,747,865	264,485	(12,329)	-	-	**-**	**53,000,021**	(5,637,417)	8,386	-	(2,704,972)	-	**(8,334,003)**	44,666,018
FINANCE	19,071,592	12,711,597	(50,262)	-	-	**-**	**31,732,927**	(1,127,551)	43,958	-	(789,259)	-	**(1,872,852)**	29,860,075
GENERAL CLEANSING	132,566	-	-	-	-	**-**	**132,566**	(3,156)	-	-	(15,140)	-	**(18,296)**	114,270
ELECTRICITY SUPPLY	59,293,329	478,087	-	-	-	**-**	**59,771,416**	(5,306,583)	-	-	(2,061,560)	-	**(7,368,143)**	52,403,273
WATER SUPPLY	378,690,443	35,012,967	(1,798)	-	-	**-**	**413,701,612**	(29,453,357)	1,463	-	(15,789,107)	-	**(45,241,001)**	368,460,611
SEWERAGE	3,955,738	369,163	-	-	-	**-**	**4,324,901**	(136,572)	-	-	(76,795)	-	**(213,367)**	4,111,534
PROJECT MANAGEMENT UNIT	122,475	73,577	-	-	-	**-**	**196,052**	(50,206)	-	-	(20,726)	-	**(70,932)**	125,120
	748,535,572	**58,412,577**	**(94,087)**	**-**	**-**	**-**	**806,854,062**	**(66,109,559)**	**78,227**	**-**	**(32,623,559)**	**-**	**(98,654,891)**	**708,199,171**
Total														
Municipality	748,535,572	58,412,577	(94,087)	-	-	**-**	**806,854,062**	(66,109,559)	78,227	-	(32,623,559)	-	**(98,654,891)**	708,199,171
	748,535,572	**58,412,577**	**(94,087)**	**-**	**-**	**-**	**806,854,062**	**(66,109,559)**	**78,227**	**-**	**(32,623,559)**	**-**	**(98,654,891)**	**708,199,171**

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

Nkomazi Local Municipality
Appendix D
June 2010

Segmental Statement of Financial Performance for the year ended

Current Year: Actual Income Rand	Current Year: Actual Expenditure Rand	Current Year: Surplus /(Deficit) Rand		Previous Year: Actual Income Rand	Previous Year: Actual Expenditure Rand	Previous Year: Surplus /(Deficit) Rand
			Municipality			
-	-	-	Budget & Treasury Office	257,371,854	36,887,730	220,484,124
-	-	-	Community & Social Services	346,238	10,222,054	(9,875,816)
-	-	-	Electricity	32,711,293	34,615,772	(1,904,479)
-	-	-	Environmental Protection	33,934	2,947,062	(2,913,128)
-	-	-	Executive & Council	603,175	34,488,032	(33,884,857)
-	-	-	Health	54,025	5,434,680	(5,380,655)
-	-	-	Other	1,082,424	3,091,765	(2,009,341)
-	-	-	Other	1,197,499	1,259,602	(62,103)
-	-	-	Public Safety	1,729,093	10,995,276	(9,266,183)
-	-	-	Road Transport	8,277,332	25,839,699	(17,562,367)
-	-	-	Waste Water Management/No Split Total	4,746,639	11,652,405	(6,905,766)
-	-	-	Waste Water Management	2,762,724	1,507,156	1,255,568
-	-	-	Water	42,119,100	74,865,712	(32,746,612)
-	**-**	**-**		**353,035,330**	**253,806,945**	**99,228,385**
			Inter-Department Charges			
-	-	-		3,051,094	3,051,094	-
-	**-**	**-**		**3,051,094**	**3,051,094**	**-**
-	-	-	Municipality	353,035,330	253,806,945	99,228,385
-	-	-	Inter-Department Charges	3,051,094	3,051,094	-
-	**-**	**-**	**Total**	**356,086,424**	**256,858,039**	**99,228,385**

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Appendix E(1)
June 2010

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	35,576,766	35,524,181	52,585	0.1	
Service charges	43,557,144	57,270,000	(13,712,856)	(23.9)	
Rental of facilities and equipment	540,790	1,343,000	(802,210)	(59.7)	
Licences and permits	7,479,807	6,870,000	609,807	8.9	
Government grants & subsidies	253,434,714	182,664,960	70,769,754	38.7	
Recoveries	1,108,153	-	1,108,153	-	
Other income	2,604,566	19,903,300	(17,298,734)	(86.9)	
Interest received - investment	8,957,321	6,300,000	2,657,321	42.2	
	353,259,261	309,875,441	43,383,820	14.0	
Expenses					
Personnel	(128,695,759)	(120,109,482)	(8,586,277)	7.1	
Remuneration of councillors	(13,262,430)	(13,816,960)	554,530	(4.0)	
Depreciation	(32,583,161)	-	(32,583,161)	-	
Amortisation	(40,398)	-	(40,398)	-	
Finance costs	(2,706,544)	(2,559,849)	(146,695)	5.7	
Debt impairment	(5,444,501)	-	(5,444,501)	-	
Repairs and maintenance - General	(12,948,956)	(14,109,400)	1,160,444	(8.2)	
Bulk purchases	(115,814,844)	(39,100,000)	(76,714,844)	196.2	
Cost of housing sold	-	(7,496,000)	7,496,000	(100.0)	
General Expenses	(66,845,154)	(94,322,218)	27,477,064	(29.1)	
	(378,341,747)	(291,513,909)	(86,827,838)	29.8	
Other revenue and costs					

Appendix E(1)
June 2010

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of assets and liabilities	255,247	-	255,247	-	
	255,247	-	255,247	-	
Net surplus/ (deficit) for the year	(24,827,239)	18,361,532	(43,188,771)	(235.2)	

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

Appendix E(2)
June 2010

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Governance and administration	-	-	-	**-**	
Executive and council	-	1,372,000	1,372,000	**100**	
Budget and treasury office	-	310,000	310,000	**100**	
Corporate services	-	9,900,212	9,900,212	**100**	
Community and public safety	-	-	-	**-**	
Community and social services	-	1,445,000	1,445,000	**100**	
Sport and recreation	-	930,000	930,000	**100**	
Public safety	-	6,591,000	6,591,000	**100**	
Housing	-	-	-	**-**	
Health	-	-	-	**-**	
Economic and environmental services	-	-	-	**-**	
Planning and development	-	12,679,156	12,679,156	**100**	
Road transport	-	9,244,500	9,244,500	**100**	
Environmental protection	-	1,505,000	1,505,000	**100**	
Trading services	-	-	-	**-**	
Electricity	-	38,548,500	38,548,500	**100**	
Water	-	64,500,000	64,500,000	**100**	
Waste water management	-	3,300,000	3,300,000	**100**	
Waste management	-	13,800,000	13,800,000	**100**	
Other	-	-	-	**-**	
	-	**164,125,368**	**164,125,368**	**100**	

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants ar	
			Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun		Se
MSIG	DPLG	-	735,000	-	-	-	-	-	120,460	337,113	277,427	-	
SANITATION PROJECT	DME	-	-	-	-	-	-	-	111,378	66,462	-	-	
FMG	DPLG	-	750,000	-	-	-	-	121,728	181,511	182,833	272,661	-	
ELECTRIFICATION PROJECT	DME	-	7,680,000	2,550,000	600,000	-	-	5,439,774	6,042,635	3,309,604	-	-	
MIG-PMU	DPLG	-	626,240	626,240	626,240	626,240	-	782,330	782,330	782,330	782,330	-	
MIG	DPLG	-	34,445,217	26,077,761	3,873,302	1,373,760	-	15,730,291	11,736,034	15,468,794	14,085,872	-	
		-	44,236,457	29,254,001	5,099,542	2,000,000	-	22,074,123	18,974,348	20,147,136	15,418,290	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.